

Message Text

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TO AMEMBASSY TEL AVIV NIACT IMMEDIATE

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C O N F I D E N T I A L STATE 098270

EXDIS - FOR AMBASSADOR FROM ATHERTON

E.O. 11652: GDS

TAGS: PFOR, IS

SUBJECT: TRANSITIONAL QUARTER AID

REF: (A) TEL AVIV 2795 (EXDIS) (B) TEL AVIV 2770 (EXDIS)

1. RE RUMOR THAT DISCUSSIONS ARE GOING ON BETWEEN CONGRESS AND WHITE HOUSE ON POSSIBLE COMPROMISE RE TRANSITIONAL QUARTER FUNDING, FOLLOWING STATEMENTS PROVIDED FOR YOUR USE WITH RABIN ON AN "IF ASKED" BASIS.

2. EXCERPTS FROM PRESIDENT'S DALLAS PRESS CONFERENCE OF APRIL 10: QUESTION: MR. PRESIDENT, IN VIEW OF THE HEIGHTENED TENSION IN THE MIDDLE EAST, ESPECIALLY WITH THE SOVIET-BACKED PENETRATION OF SYRIA INTO LEBANON AND INCREASED ACTIVITY OF THE PLO, DO YOU THINK YOUR POLICY OF CURTAILING DEFENSE FUNDS FROM ISRAEL IS EXPEDIENT OR DO YOU PLAN TO RE-EXAMINE THAT POLICY WITH REGARD TO RESTORATION
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OF THE \$550 MILLION IN INTERIM FUNDS?

THE PRESIDENT: FIRST, LET ME SET THE RECORD STRAIGHT. IN THE FISCAL YEAR 1976 BUDGET FOR FOREIGN AID, I RECOMMENDED

\$1.5 BILLION FOR MILITARY ASSISTANCE FOR ISRAEL, HALF OF WHICH WOULD BE FORGIVEN, WHICH MEANS HALF OF IT IS A GRANT

-- NOT A SALE OR LOAN -- AND IN ADDITION I RECOMMENDED \$700 MILLION IN ECONOMIC AID AND ASSISTANCE TO ISRAEL FOR A TOTAL OF \$2.2 BILLION FOR ISRAEL IN A 12-MONTH PERIOD.

NUMBER TWO, FOR FISCAL YEAR 1977 I RECOMMENDED \$1 BILLION IN MILITARY AID AND ASSISTANCE FOR ISRAEL, AGAIN HALF OF WHICH WOULD BE FORGIVEN. I RECOMMENDED, AS I RECALL, \$600 MILLION IN ECONOMIC AID AND ASSISTANCE FOR ISRAEL FOR A 12-MONTH PERIOD, WHICH MEANS OVER A 27-MONTH PERIOD I RECOMMENDED TO THE CONGRESS \$2.5 BILLION IN MILITARY ASSISTANCE, HALF OF WHICH WOULD BE FORGIVEN, AND SOMETHING OVER \$1 BILLION IN ECONOMIC AID FOR ISRAEL.

ALL OF MY TECHNICAL ADVISERS IN THE EXECUTIVE BRANCH OF THE GOVERNMENT TELL ME THAT THOSE FUNDS ARE AMPLE FOR MILITARY AS WELL AS ECONOMIC ASSISTANCE FOR ISRAEL.

NOW, THE CONGRESS, ON A TENTATIVE BASIS, HAS ADDED ANOTHER \$500 MILLION FOR MILITARY ASSISTANCE. MY TECHNICAL ADVISERS TELL ME THAT THIS IS UNNEEDED, UNNECESSARY FOR THE SECURITY AND SURVIVAL OF ISRAEL.

I THINK WHAT I HAVE PROPOSED IS FULLY ADEQUATE TO MEET ANY CHALLENGE THAT ISRAEL MIGHT HAVE FOR ITS SECURITY AND SURVIVAL.

3. DURING SECRETARY'S APRIL 22 PRESS CONFERENCE, HE WAS ASKED WHETHER ANY COMPROMISE HAD BEEN REACHED ON TRANSITIONAL QUARTER FUNDS FOR ISRAEL. SECRETARY REPLIED "TO THE BEST OF MY KNOWLEDGE NO."

4. DURING APRIL 14 PUBLIC HEARING BEFORE SENATE APPROPRIATIONS FOREIGN OPERATIONS SUBCOMMITTEE SECRETARY MADE FOLLOWING POINTS IN RESPONSE TO QUESTIONS FROM CONFIDENTIAL

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SENATOR INOUE ON TRANSITIONAL QUARTER (TQ) ISSUE:

-- AT THE TIME OF SECRETARY'S EARLIER TESTIMONY BEFORE INOUE COMMITTEE ON NOVEMBER 6 AND HIS CONVERSATIONS WITH SEVERAL SENATORS WHO ASKED FOR HIS OPINION, SECRETARY WAS UNDER IMPRESSION THAT IT WAS THE POLICY OF THE ADMINISTRATION NOT TO RECOMMEND ADDITIONAL TQ FUNDS BUT TO ACQUIESCE IN ADDITIONAL FUNDING IF CONGRESS CHOSE TO VOTE IT. THIS WAS ALSO ASSISTANT SECRETARY MCCLOSKEY'S IMPRESSION (AS INDICATED BY HIS MARCH 12 LETTER TO INOUE).

-- SINCE THEN THE ADMINISTRATION STUDIED SOME OMB PROJECTIONS ACCORDING TO WHICH ISRAEL'S NEED DID NOT APPEAR

TO BE AS GREAT AS ORIGINALLY THOUGHT AND THEREFORE THE

PRESIDENT DECIDED TO OPPOSE THE TQ AID. THIS WAS NOT
DONE ON FOREIGN POLICY GROUNDS BUT ON BUDGETARY GROUNDS.

-- WHEN RABIN WAS HERE WE BELIEVE HE WAS UNDER THE
JUSTIFIED IMPRESSION THAT IF CONGRESS VOTED THE TQ THE
ADMINISTRATION MIGHT HAVE TO INCLUDE IT. THE SECRETARY
DOES NOT RECALL WHETHER OR NOT HE EXPLICITLY TOLD RABIN
THAT THE ADMINISTRATION WOULD "NOT OBJECT" TO TQ FUNDING
BUT SUSPECTS THAT RABIN MIGHT HAVE HEARD THIS FROM THE
SENATORS WHO HAD TALKED WITH THE SECRETARY.

-- PREVIOUS DISCUSSIONS WITH THE GOI ABOUT ASSISTANCE,
SUCH AS DURING THE SINAI NEGOTIATIONS, WERE IN TERMS OF
THE NORMAL FISCAL YEAR. THE TRANSITION QUARTER CREATED
A NEW SITUATION, AT LEAST PSYCHOLOGICALLY, IN THINKING
ABOUT THE FUNDING.

-- THE QUESTION OF WHETHER THE LACK OF TQ FUNDS PUTS
UNFAIR BURDENS ON THE ISRAELI ECONOMY IS ESSENTIALLY ONE
FOR ECONOMIC ANALYSIS AND IS PRIMARILY BETWEEN OMB AND THE
GOI. THE PRESIDENT MADE HIS DECISION ON THE BASIS THAT
THE GOI WOULD BE IN ADEQUATE SHAPE ECONOMICALLY WITH THE
ASSISTANCE LEVEL HE HAD REQUESTED.

5. FOR YOUR BACKGROUND ONLY: WE ARE AWARE OF CURRENT
REPORTS THAT COMPROMISE IS BEING NEGOTIATED. I CAN FIND
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NO EVIDENCE THAT COMPROMISE IS
UNDER DISCUSSION AS OF NOW.
PASSMAN BEFORE EASTER RECESS TOLD WHITE HOUSE
APPROPRIATIONS COMMITTEE WAS NOT ENTERTAINING ANY
SUGGESTIONS FOR COMPROMISE, AND BILL TO BE CALLED UP AS
IS ON APRIL 28.

6. FURTHER FOR YOUR BACKGROUND, THE FOLLOWING IS A
CHRONOLOGY OF SIGNIFICANT COMMUNICATIONS BETWEEN THE
ADMINISTRATION AND THE CONGRESS DURING THE PAST FEW
MONTHS ON THE QUESTION OF TRANSITIONAL QUARTER (TQ)
FUNDING FOR ISRAEL:

-- JANUARY 20: DURING SFRC MARKUP OF FY 76 SA
AUTHORIZATION SENATOR HUMPHREY REPORTS TO COMMITTEE THAT
SECRETARY HAS ASSURED HIM ON TELEPHONE THAT ADMINISTRATION
HAS "NO OBJECTION" TO TQ FUNDING FOR ALL AID RECIPIENTS
IN RESPONSE TO HUMPHREY'S INITIATIVE.

-- JANUARY 21: PRESIDENT TRANSMITS FY 77 BUDGET TO
CONGRESS WHICH CONTAINS NO REQUEST FOR TQ FUNDS.

-- FEBRUARY 4: DURING SENATE FLOOR DEBATE ON AUTHORIZA-

TION SENATOR HUMPHREY CITES HIS VERSION OF JANUARY 20
TELEPHONE ASSURANCES FROM SECRETARY TO SUPPORT TQ
FUNDING IN BILL.

-- MARCH 12: ASST. SECRETARY MCCLOSKEY SENDS LENGTHY
LETTER TO SENATE APPROPRIATIONS SUBCOMMITTEE CHAIRMAN
INOUE GIVING ADMINISTRATION VIEWS ON APPROPRIATIONS
BILL AS FOLLOWS: "FINALLY, SHOULD THE CONGRESS WISH
TO PROVIDE ADDITIONAL FUNDS FOR THE TRANSITION QUARTER, WE
WOULD NOT OBJECT AS LONG AS THE MONEY IS DISTRIBUTED
PROPORTIONALLY AMONG ALL RECIPIENTS."

-- MARCH 17: PRESIDENT MEETS WITH AMERICAN JEWISH
LEADERSHIP GROUP AND DEFENDS ADEQUACY OF AID LEVEL HE
REQUESTED FOR ISRAEL, CITING DOMESTIC BUDGETARY PRESSURES
AS THE ARGUMENT AGAINST ADDITIONAL FUNDS.

-- MARCH 29: PRESIDENT SENDS LETTERS TO SUBCOMMITTEE
CHAIRMAN INOUE AND PASSMAN, STRONGLY OPPOSING ADDITIONAL
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TQ FUNDS AND STATING: "I WILL REGARD AS UNACCEPTABLE
FOREIGN ASSISTANCE APPROPRIATIONS WHICH INCLUDE SUCH
SUBSTANTIAL AND INEQUITABLY DISTRIBUTED ADDITIONAL
FUNDING."

-- APRIL 6: PRESIDENT SENDS LETTERS TO SPEAKER ALBERT AND
MINORITY LEADER RHODES STATING THAT: "IF I AM PRESENTED
WITH A FINAL APPROPRIATION BILL THAT INCLUDES FUNDS FOR
THE TRANSITION QUARTER I WILL BE FORCED TO EXERCISE
MY VETO."

-- APRIL 14: SECRETARY KISSINGER IN OPEN SESSION EXPLAINS
ADMINISTRATION HANDLING OF TQ QUESTION TO SENATOR
INOUE'S APPROPRIATIONS SUBCOMMITTEE.

7. I BELIEVE THAT THE FOREGOING WILL PROVIDE YOU WITH
CLEAR PICTURE OF HOW THIS MATTER EVOLVED. OBVIOUSLY
WE DO NOT WANT TO PROLONG THE DEBATE WITH THE ISRAELIS,
AND I WOULD ASSUME YOU WILL DRAW ON FOREGOING ONLY
AS NECESSARY TO SET THE RECORD STRAIGHT IF THEY CONTINUE
TO PURSUE THE SUBJECT WITH YOU. KISSINGER

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